Chapter 7

Conjoint Analysis

7.1 Introduction

The conjoint research component of the questionnaire focused on gathering information about unbanked Federal check recipients' preferences that can be used to estimate the demand-side implications of various ETA configurations. The specific research technology applied was choice-based conjoint, a discrete choice modeling methodology that uses logistical regression to estimate the probability that a particular product/price combination will be chosen by consumers. This analysis provides an estimate of the percentage of unbanked Federal check recipients who would choose, or take, a particular ETA configuration if it were made available to them.

Choice-based conjoint research provides several types of useful information:

- The importance of each product feature in consumers' decisions to choose a particular product configuration.
- The sensitivity of consumer's choices to various hypothetical combinations of product features and fees.
- The 'take-rate' for each product by respondent segment.

Key Findings

The results of the analyses indicate that the overall interest in converting from paper checks to various hypothetical ETA configurations varies among market segments and product configurations. As a reminder the 'take-rate' is the percentage of respondents who, given the binary option of choosing the account or remaining unbanked, would choose the account.

On an overall weighted average basis, estimated 'take-rates' range from 6% for an 'All-Electronic' ETA at a $3.00 monthly fee to 29% for 'Option D+I+P' at a $3.00 monthly fee level. 'Option D+I+P' is a more fully featured product configuration that would provide access to bank tellers, permit deposits from non-Federal sources, pay 2% interest on balances and provide automated bill payment capabilities.

The results are presented as point estimates, however, due to the sampling process, the 'take-rates' will fall in a range around the mean based on sample size. That range is shown below:

Percentage[1] of Unbanked Respondents
Choosing ETA Configurations with a $3.00 Monthly Fee (weighted)

Account Type	Lower Bound[2]	Mean 'Take-Rate'	Upper Bound
All Electronic	4%	6%	8%
Base	9%	12%	15%
Option D	13%	17%	22%
Option D+P	15%	19%	25%
Option D+I	20%	26%	33%
Option D+I+P	23%	29%	36%

Table 7.1

Additionally, the research examines differences in ETA preferences among demographic segments. For example, the estimated 'take-rates' for ETAs range from as low as 5% for the 'All-Electronic' among respondents over the age of 75 up to a high of a 66% for 'Option D+I+P' among respondents under 34 years of age. These and other segment-based differences are described in further detail later in this chapter.

The conjoint analysis indicates that the ETA will have the greatest acceptance in cities, among Black recipients, and among younger individuals. The decision to 'take' an ETA appears to be strongly influenced by the current fees for cashing Federal checks, or lack thereof.

It also appears that attitudes about ETAs are strongly influenced by the fees that recipients experience. As more merchants and financial institutions increasingly charge unbanked Federal check recipients to cash checks, 'take-rates' for ETAs will be likely to increase.

Since these individuals are important to the overall objective of the ETA, they are included in the analyses. By avoiding self-selection bias, this report provides a conservative estimate of the demand for ETA.

7.2 Hypothetical ETA Product Features Tested

Potential ETA configurations were tested in the conjoint analysis by decomposing the product into 12 features. Six of the features were fixed; meaning that all accounts included the six features shown in Table 7.2. Six other potential product features were methodically varied to estimate their effect on respondents' product choice decisions. These variable features are shown in Figure 7.3. The hypothetical ETA configurations were then combined using logistical regression models that calculate the 'take-rate' for each product by demographic based on the responses to the six features that varied.

Fixed Product Features

[1] These percentages reflect respondent choices when given the binary choice of enrolling in the ETA as described or choosing to not obtain an ETA.
[2] The lower and upper bounds reflect a 95% confidence level based on 1.96 standard errors.

Features	Definition used in Questionnaire
Account	You will get an account in your name at a bank.
Direct Deposit	You will get your Federal check deposited automatically into your account.
No Minimum Balance	You will not have to leave any money in your account from month to month (you can take all your money out and still keep your account).
Assistance	You will be given a toll-free telephone number you can call for help.
ATM Card	You will get an ATM card to make cash withdrawals.
POS	You will be able to make purchases and get cash back at stores with your ATM card.

Table 7.2

Each of the features shown in Table 7.3 were combined using an experimental design that presented three different combinations plus an "If these were the only choices, I would take none of them" option on 13 scenario cards (See Figure 7.1, page 72). Respondents were asked to select one of four choices in each scenario. Using the CBC system, multinomial logistical regression models were generated and could be used to estimate the importance of each product feature in the respondents' choice decisions. This methodology is explained in more detail in Section 7.6.

Variable Product Features

Features	Levels	Definition used in Questionnaire
Deposits	Federal Only	You can only get your Federal checks deposited in your account.
	Federal and Other	You can get your Federal checks, and, if you want, other checks deposited in your account.
Savings (Interest)	2% Interest Paid to You	For every $100 you keep in your account for one year, the bank will give you $2. After one year, you have $102 for every $100 you keep in the bank account.
	No Interest paid to You	The bank does not pay you any money for keeping money in your account.
Pay Bills (Payments)	Same as Today	You pay bills like you pay them today.
	Automatic or Same as Today	You can pay bills like you pay them today, or, if you want, you can tell your bank to pay your bills automatically for you.
Get Cash (Access Points)	Bank Teller or ATM	You can get cash at a bank from a teller or at an ATM.
	Store Cashier or ATM	You can get cash at a store from a cashier or at an ATM.
	Bank Teller, Store Cashier, or ATM	You can get cash from a teller, or a cashier, or at an ATM.
	ATM Only	You must use an ATM machine to get cash.
Monthly ATM Withdrawals (Monthly Access)	3 Free Plus $1 per Additional Withdrawal	You get 3 withdrawals per month included in your monthly fee. You must pay $1.00 for each additional cash withdrawal.
	4 Free Plus $1 per Additional Withdrawal	You get 4 withdrawals per month included in your monthly fee. You must pay $1.00 for each additional cash withdrawal.
	5 Free Plus $1 per Additional Withdrawal	You get 5 withdrawals per month included in your monthly fee. You must pay $1.00 for each additional cash withdrawal.
Monthly Fee	$2.00	You pay $2 each month for having a bank account.
	$3.00	You pay $3 each month for having a bank account.
	$4.00	You pay $4 each month for having a bank account.

Table 7.3

Example and Instructions for Choice Based Conjoint in Survey

Instructions: Below each "Bank Account" is a description. Choose which bank account you would use, or choose "None", by putting an X at the bottom.

Which bank account option would you choose?

* See Definitions Below	Bank Account 1	Bank Account 2	Bank Account 3	None
Deposits*	Federal and other	Federal only	Federal and other	If these were the Only choices, I would take none of them
Savings*	No interest paid to you	2% interest paid to you	No interest paid to you	
Pay Bills*	Automatic or same as today	Same as today	Same as today	
Get Cash*	ATM only	Bank teller, store cashier, or ATM	Store cashier or ATM	
Monthly ATM Withdrawals*	5 free plus $1.00 per additional withdrawal	4 free plus $1.00 per additional withdrawal	3 free plus $1.00 per additional withdrawal	
Monthly Charge*	$ 3.00	$ 2.00	$ 4.00	
*Please **X** the one option you would choose* ➡	**X**			

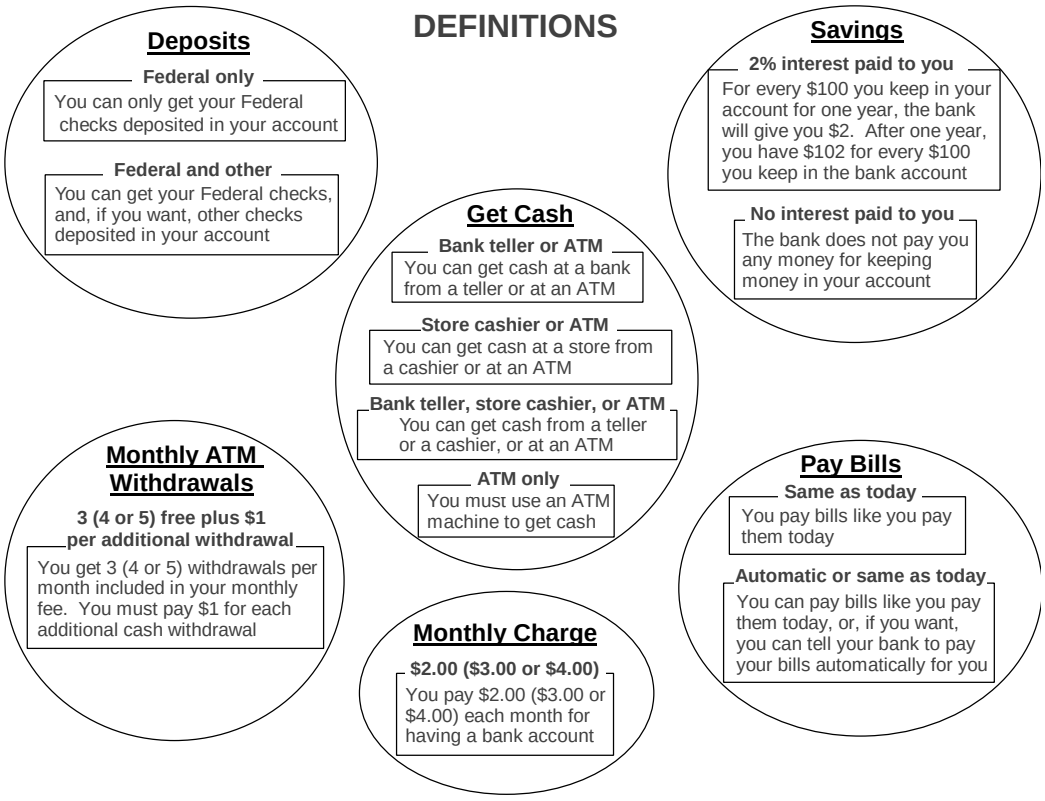


Figure 7.1

7.3 Relative Importance of ETA Features

The relative importance of each feature to the respondents' choice decisions was estimated by assessing the impact that each feature had on the logistical regression-based model.

For the overall unbanked Federal check recipient population, monthly fees were the single most important feature. The other features, in order of importance, were monthly access points, whether 2% interest would be paid, and whether deposits other than Federal only would be permitted. The number of cash accesses per month and the availability of electronic bill payment were less important in the choice decision.

When combined, two access features (number of times per month and the number of locations for accessing funds) accounted for 39% of the respondents' decision-making. This was collectively more important than monthly fees which accounted for 25% of the choice decision.

The three optional features being contemplated for possible ETA configurations (the payment of interest, the acceptance of non-Federal benefit check deposits, and electronic bill payment capabilities) accounted for the remaining 36% of the overall decision.

Relative Importance of ETA Features (all unbanked weighted[3])

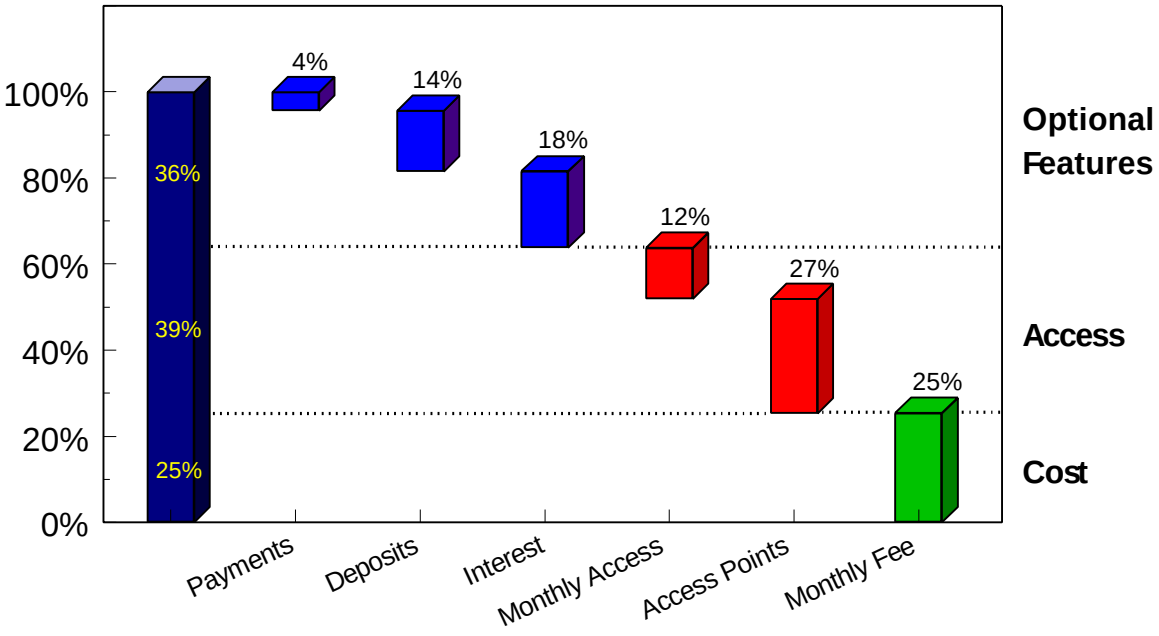


Figure 7.2

[3] Weighted by program.

7.4 Relative Importance by Demographic Segment

The relative importance that each ETA feature holds in the consumers' choice decision was examined for each of the six demographic segments. Due to the small sample size, the reader is advised to review the following demographic segmentation with the recognition that the sample data in this section are subject to sampling variability and are not point estimates alone. However, the results suggest that there may be very different perspectives on the importance of various ETA product features across demographic segments.

Geographic Region

Monthly Fees were most important in the Midwest (41%) and least important in the Northeast (21%). Access Points were fairly consistent across all five regions, the West (23%) being slightly below the regional average (27%). Interest was given the most importance in the Southeast (25%), whereas Other Deposits was given the most importance in the Northeast (23%).

Relative Importance by Region (not weighted)

Region	West	Midwest	Central	Northeast	Southeast
Deposits	16%	17%	5%	23%	12%
Interest	22%	4%	16%	15%	25%
Payments	6%	1%	2%	2%	4%
Access Points	23%	26%	27%	28%	28%
Monthly Access	7%	12%	13%	12%	4%
Monthly Fee	26%	41%	37%	21%	26%
Total	*100%*	*100%*	*100%*	*100%*	*100%*

Table 7.4

Area

Access Points were consistently important across all areas. Small Town respondents were less concerned about the Monthly Fee than those in the City and Countryside (21% compared to 30%). Small Town respondents were also less influenced by Interest (15%) than City respondents (21%).

Relative Importance by Area (not weighted)[4]

Area	City	Small Town	Countryside
Deposits	13%	17%	16%
Interest	21%	15%	17%
Payments	4%	6%	1%
Access Points	25%	25%	27%
Monthly Access	8%	17%	10%
Monthly Fee	30%	21%	30%
Total	*100%*	*100%*	*100%*

Table 7.5

[4] Due to the small number of suburban unbanked respondents, they were excluded from this analysis.

Program

Examining the relative importance by program revealed that the Monthly Fee had the greatest impact on SSI Only recipients (31%), SSA (28%) and dual SSA & SSI recipients (26%), while Veterans gave it a lower level of importance (12%). Dual SSA & SSI recipients placed a higher than average importance on Interest (29%) while giving a lower level of importance to Other Deposits (7%).

Relative Importance by Program (not weighted)

Program	SSA Only	SSA & SSI	SSI Only	Veterans	Railroad*	OPM*
Deposits	15%	7%	16%	20%	2%	6%
Interest	16%	29%	16%	20%	6%	21%
Payments	3%	4%	2%	11%	6%	4%
Access Points	26%	26%	25%	21%	60%	22%
Monthly Access	13%	8%	10%	15%	8%	10%
Monthly Fee	28%	26%	31%	12%	18%	37%
Total	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Table 7.6

* Relative importance percentages for Railroad Retirement Board and OPM are not significant.

Fewer than 30 Railroad Retirement Board and OPM responses were received. Due to the small sample sizes, results for these two segments should be viewed as suggestive of the importance, but not statistically significant.

Age

Respondents over 74 years of age were the most sensitive to the Monthly Fee (41%) and the most strongly influenced by the availability of Interest (30%). The importance of Other Deposits declined with age, falling from 23% for those under the age of 34 to 7% for those over 74. The only respondent group with any significant interest in Payments was the 35 – 54 years old group (8%).

Relative Importance by Age (not weighted)

Age	Under 35	35 – 54	55 – 74	Over 74
Deposits	23%	11%	14%	7%
Interest	19%	16%	26%	30%
Payments	2%	8%	2%	1%
Access Points	29%	22%	33%	12%
Monthly Access	9%	11%	10%	10%
Monthly Fee	19%	33%	14%	41%
Total	*100%*	*100%*	*100%*	*100%*

Table 7.7

Household Income

Pronounced differences exist across the three analyzed ranges of household income. As anticipated, the importance of the Monthly Fee was the greatest for respondents with annual household incomes below $8,000 (37%) and dramatically declined as income levels rose. Importance of Interest varied slightly by income level but was roughly consistent across all income groups. Other Deposits was most important for respondents with household income over $15,000 (25%) and steadily decreased as income level declined. Access Points were considerably more important for those with household income over $15,000 (37%).

Relative Importance by Household Income (not weighted)

HH Income	Under $8,000	$8,000-14,999	Over $15,000
Deposits	9%	17%	25%
Interest	20%	22%	18%
Payments	2%	8%	4%
Access Points	26%	21%	37%
Monthly Access	9%	10%	10%
Monthly Fee	37%	22%	5%
Total	*100%*	*100%*	*100%*

Table 7.8

Ethnic Group

Hispanics and Blacks were most influenced by the Monthly Fee levels (33% and 31%, respectively). White respondents were less concerned with Interest (12%) and more influenced by Other Deposits (18%); Other Ethnic groups[5] expressed similar importance in Other Deposits (17%).

Relative Importance by Ethnic Group (not weighted)

Ethnic Group	Hispanic	Black	White	Other
Deposits	9%	9%	18%	17%
Interest	29%	25%	12%	24%
Payments	5%	3%	4%	0%
Access Points	11%	30%	27%	33%
Monthly Access	14%	2%	15%	12%
Monthly Fee	33%	31%	26%	14%
Total	*100%*	*100%*	*100%*	*100%*

Table 7.9

7.5 Product Configurations Examined

Based on discussions with Treasury/FMS, five hypothetical ETA configurations were created and tested using the logistic regression-based choice models. These product configurations have been named as follows and are described below:

[5] 'Other Ethnic groups' includes American Indian or Alaska Native, Native Hawaiian or Pacific Islander, Asian, and Other.

Product Configurations

Product	Feature	Feature Level
All Electronic	Deposits:	Federal only
	Interest:	No interest
	Bill Pay:	No bill pay
	Access Points:	ATM only
	Monthly Access:	4 free, plus $1.00 per additional withdrawal
	Monthly Fee:	$2.00, $3.00, $4.00
Base	Deposits:	Federal only
	Interest:	No interest
	Bill Pay:	No bill pay
	Access Points:	ATM, bank, store
	Monthly Access:	4 free, plus $1.00 per additional withdrawal
	Monthly Fee:	$2.00, $3.00, $4.00
Option D	Deposits:	Federal and other
	Interest:	No interest
	Bill Pay:	No bill pay
	Access Points:	ATM, bank, store
	Monthly Access:	4 free, plus $1.00 per additional withdrawal
	Monthly Fee:	$2.00, $3.00, $4.00
Option D+I	Deposits:	Federal and other
	Interest:	2% interest paid to you
	Bill Pay:	No bill pay
	Access Points:	ATM, bank, store
	Monthly Access:	4 free, plus $1.00 per additional withdrawal
	Monthly Fee:	$2.00, $3.00, $4.00
Option D+I+P	Deposits:	Federal and other
	Interest:	2% interest paid to you
	Bill Pay:	Automatic or same as today
	Access Points:	ATM, bank, store
	Monthly Access:	4 free, plus $1.00 per additional withdrawal
	Monthly Fee:	$2.00, $3.00, $4.00

Table 7.10

7.6 'Take-Rate' Estimation Process

The 'take-rate', which measures the percentage of respondents who would voluntarily choose an account if given the option, is estimated for the overall population of unbanked Federal check recipients for each of the product configurations. This estimate is based on a weighted-average that adjusts for the relative undersampling of SSA and the oversampling of smaller segments. It is therefore a nationally projectionable estimate. The weighting process is described in Chapter 8 — Market Model.

The 'take-rate' is based on a logistic regression model. In this application, the model is designed to estimate the probability that unbanked Federal check recipients would choose a particular product configuration if it were available. These 'take-rate' estimates are based on a binary choice model, which is a buy or no-buy model.

'Take-rates' are modeled using a 'S-shaped' (sigmoidal) response curve, where the responses cannot fall outside of 0 to 1 range, where 0 is interpreted as 0% probability of a consumer accepting the product; 1 is interpreted as 100% probability of a consumer accepting the product. (See Appendix I for details about Choice-Based Conjoint model assumptions and interpretations).

Logistic Response Curve

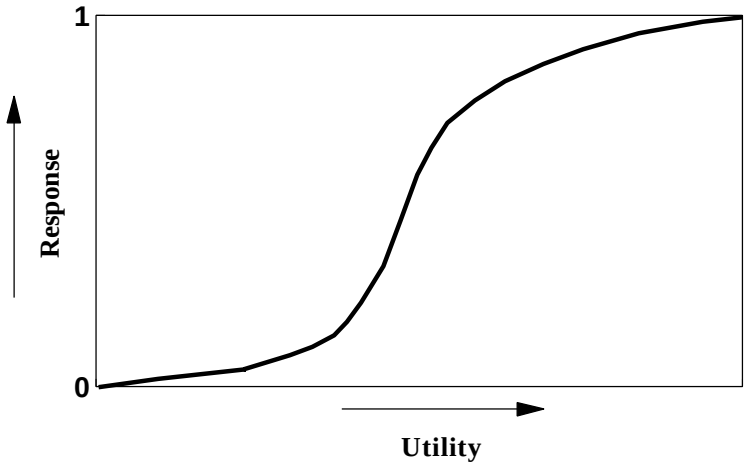


Figure 7.3

The general model that is being applied for the ETA analysis is as follows:

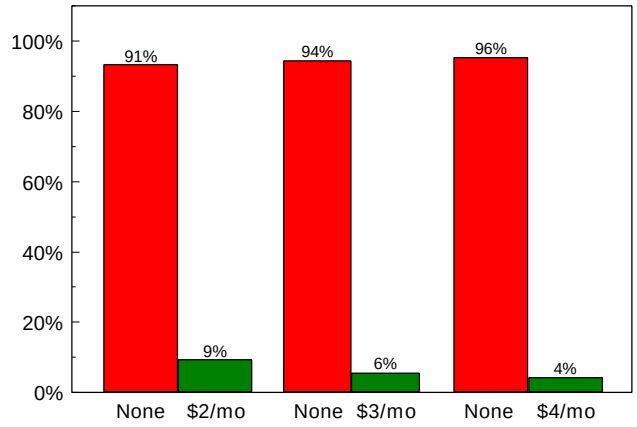
$$\text{'Take-rate' (0\% to 100\%)} = \frac{1}{(1+ e^{-(a + b(F) + c(A) + d(T) + e(D) + f(I) + g(P)})}$$

Where:
F = Monthly fee
A = Cash access points
T = Number of transactions per month included
D = Type of deposits permitted
I = Interest allowed
P = Automatic bill payment available

As expected, the 'take-rate' for an ETA increases as features are added to the account and as the monthly charge is lowered. The most basic configuration tested was the 'All Electronic' account, which lets customers only withdraw cash from ATM machines, offers no interest or

electronic bill pay and does not accept other deposits (see Figure 7.4). Due to the number of relatively less attractive feature levels, it has a 'take-rate' of less than 10% for all price levels. In contrast, 'Option D+I+P', the most fully-featured account, has a 'take-rate' ranging between 24% to 41%, depending upon monthly fee levels (see Figure 7.8).

'All Electronic' Configuration 'Take-Rates' – Overall (weighted)

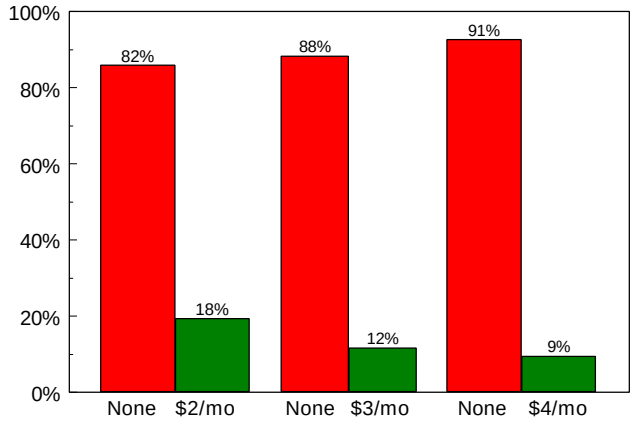


Deposits:	**Federal Only**
Interest:	**No Interest**
Bill Pay:	**No Bill Pay**
Access Points:	**ATM Only**
Monthly Access:	**4 Free**
Monthly Fee:	**$2.00, $3.00, $4.00**

Figure 7.4

The 'Base' configuration shown below in Figure 7.5, shows the effect of expanding cash Access Points from 'ATM only' to the 'Bank teller, store cashier, or ATM' on the overall 'take-rate'. The 'Base' configuration shows that expanding access points to include locations where personal service is available results in a doubling of the respondents' 'take-rate' across all three monthly fee levels over the 'All Electronic' configuration (see Figure 7.4). Clearly, the opportunity for personal support is important to the unbanked Federal check recipients.

'Base' Configuration 'Take-Rates' – Overall (weighted)



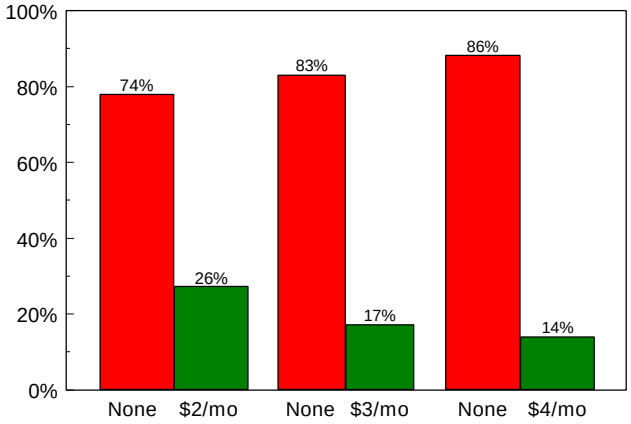
Deposits:	**Federal Only**
Interest:	**No Interest**
Bill Pay:	**No Bill Pay**
Access Points:	**ATM, bank, store**
Monthly Access:	**4 Free**
Monthly Fee:	**$2.00, $3.00, $4.00**

Figure 7.5

'Option D' builds on the previous two product configurations to estimate the impact that removing the restrictions on the types of deposits that could be made with an ETA. This option includes the same features of the 'Base' configuration, but adds the acceptance of additional deposits beyond the Federal Only Deposits. The conjoint analysis estimates that this configuration will result in a 46% increase in 'take-rate' over the 'Base' configuration at the $3.00 price level, up from 12% shown in Figure 7.5 to the 17% shown in Figure 7.6 for

'Option D'. This increase in 'take-rates' indicates that the ability to make deposits from other sources than Federal Only is another way for the ETA to be more attractive among unbanked Federal check recipients.

'Option D' Configuration 'Take-Rates' – Overall (weighted)

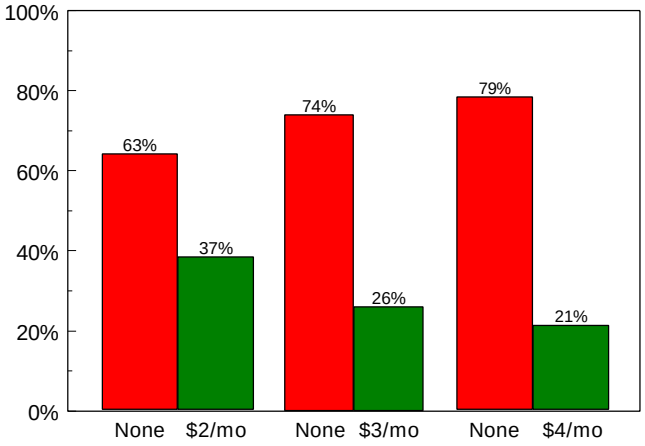


Deposits:	**Federal and Other**
Interest:	**No Interest**
Bill Pay:	**No Bill Pay**
Access Points:	**ATM, bank, store**
Monthly Access:	**4 Free**
Monthly Fee:	**$2.00, $3.00, $4.00**

Figure 7.6

'Option D+I' configuration shown below in Figure 7.7 expands the ETA design to include the payment of 2% interest on account balances. The 2% interest rate on balances is comparable to passbook savings rates offered by financial institutions. At a $3.00 monthly fee level, this enhancement would increase the 'take-rate' by 53%, up from the 17% for 'Option D' (see Figure 7.6) to 26% for 'Option D+I'.

'Option D+I' Configuration 'Take-Rates' – Overall (weighted)

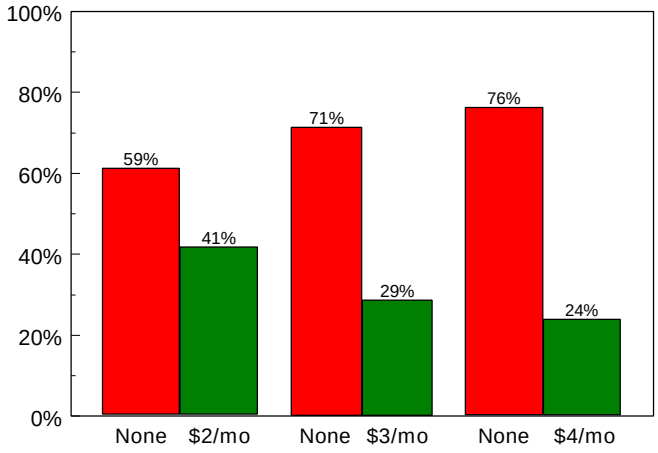


Deposits:	**Federal and Other**
Interest:	**2% Interest Paid**
Bill Pay:	**No Bill Pay**
Access Points:	**ATM, only**
Monthly Access:	**4 Free**
Monthly Fee:	**$2.00, $3.00, $4.00**

Figure 7.7

'Option D+I+P', shown below in Figure 7.8, is the most fully-featured configuration examined. This configuration adds electronic payment capabilities to features available in 'Option D+I' version of the ETA. Adding an electronic bill payment option increased the estimated 'take-rate' to 29% at the $3.00 monthly fee level, representing a 12% increase in estimated 'take-rate' over 'Option D+I' (see Figure 7.7).

'Option D+I+P' Configuration 'Take-Rates' – Overall (weighted)



Deposits:	**Federal and Other**
Interest:	**2 % Interest paid**
Bill Pay:	**Automatic Bill Pay**
Access Points:	**ATM Only**
Monthly Access:	**4 Free**
Monthly Fee:	**$2.00, $3.00, $4.00**

Figure 7.8

The table below summarizes the responses across all products and fee levels examined. Based on the mean values, the price sensitivity is evident as the monthly fee increases from $2.00 to $3.00 and diminishes as monthly fee levels increase to $4.00 per month.

Overall 'Take-Rate' for Hypothetical ETA Configurations by Monthly Fee (weighted)

	$2.00	**$3.00**	**$4.00**
All Electronic	9%	6%	4%
Base	18%	12%	9%
Option D	26%	17%	14%
Option D+I	37%	26%	21%
Option D+I+P	41%	29%	24%

Table 7.11

The 95% confidence interval around each of these mean values is presented in Chapter 8 — Market Model and is also provided in Appendix I.

Access Point Sensitivity

As shown in Figure 7.2, Access Points is the most important ETA feature for the overall unbanked Federal check recipient population. With respect to the relationship between Access Points and 'take-rates,' moving from ATM access only to access to bank teller, store cashier, or ATM, boosts 'take-rates' by an average of 55%. This may be due to a 'personal touch' being available at stores and banks. There was no measurable difference between access to store cashiers and bank tellers. However, when all of the cash access options are combined, the average 'take-rate' increases by another 29% (from either 'store cashier or ATM' or 'bank teller or ATM'). Based on these results, it is clear that respondents value a broader range of cash access points.

Percent Change in 'Take-Rate' by Access at a $3.00 Monthly Fee (weighted)

	ATM Only Take-Rate	**% Increase (ATM Only to Bank Teller or ATM)**	Bank Teller or ATM Take-Rate	**% Increase (Bank Teller or ATM to Store Cashier or ATM)**	Store Cashier or ATM Take-Rate	**% Increase (Store Cashier or ATM to Bank Teller, Store Cashier, or ATM)**	Bank Teller, Store Cashier, or ATM Take-Rate
All Electronic	6%	**50%**	9%	**0%**	9%	**33%**	12%
Base	6%	**50%**	9%	**0%**	9%	**33%**	12%
Option D	8%	**63%**	13%	**0%**	13%	**31%**	17%
Option D+I	13%	**62%**	21%	**0%**	21%	**24%**	26%
Option D+I+P	15%	**53%**	23%	**0%**	23%	**26%**	29%
Average*	10%	**55%**	15%	**0%**	15%	**29%**	19%

Table 7.12

* 'Average' is the mean average of the increase in 'take-rate' for all five product configurations.

Overall 'Take-Rate' at Various Access Points by Product (weighted)

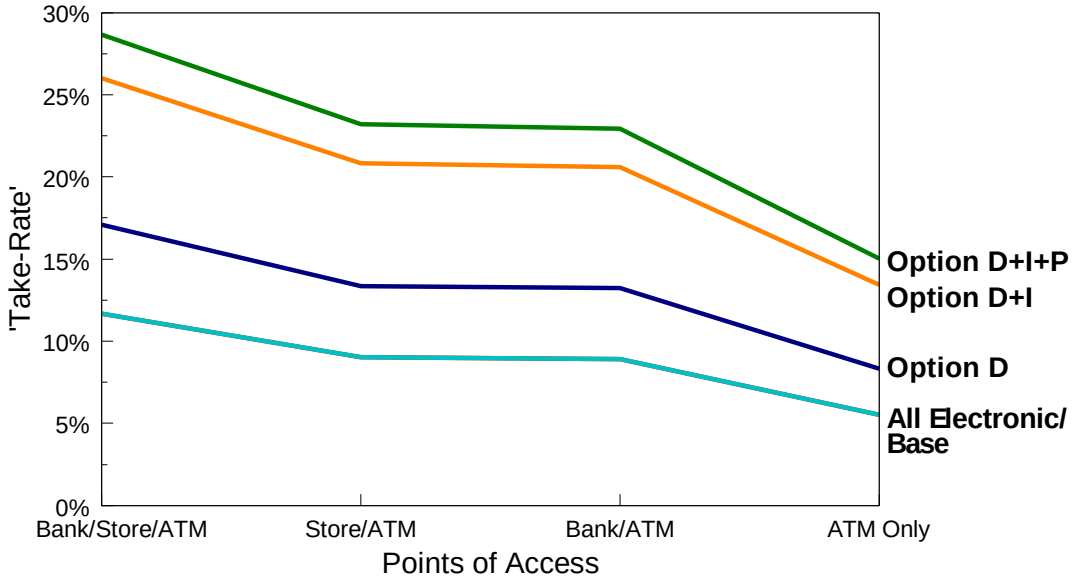


Figure 7.9

Cash Withdrawals Access Sensitivity

Three different numbers of ATM cash withdrawals per month were tested (3, 4 and 5 times). As the five account configurations moved from 3 to 4 cash accesses per month, the 'take-rates' increased by an average of 27%. When the account configurations moved from 4 to 5 cash withdrawals per month, the increase was not as substantial, rising only 7%.

This suggests that respondents feel that 3 free cash withdrawals per month are not enough, and yet, they do not feel there is a strong need for 5 free per month. Four free cash withdrawals per month may be the suitable number to offer.

Percent Change in 'Take-Rate' by Monthly Access (weighted)

	3 times/ month	**% Increase (3 to 4 times)**	4 times/ month	**% Increase (4 to 5 times)**	5 times/ month
All Electronic	4%	**50%**	6%	**0%**	6%
Base	9%	**33%**	12%	**8%**	13%
Option D	14%	**21%**	17%	**12%**	19%
Option D+I	22%	**18%**	26%	**8%**	28%
Option D+I+P	24%	**21%**	29%	**7%**	31%
Average	16%	**27%**	20%	**7%**	21%

Table 7.13

Overall 'Take-Rate' at Various Numbers of Monthly Withdrawals by Product (weighted)

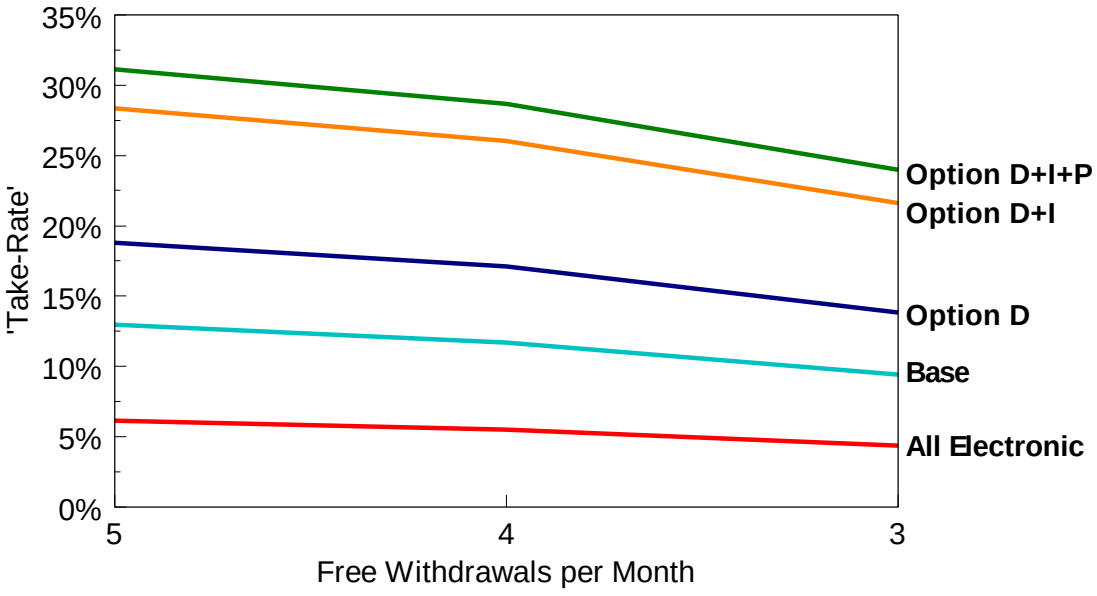


Figure 7.10

Price Sensitivity

The second most important ETA feature is the monthly fee. As the five account configurations move from $4.00 to $3.00, the average increase in the 'take-rate' is 30%. As the account prices decrease again, from $3.00 to $2.00, the 'take-rate' increases by, on average, 47%.

Percent Change in 'Take-Rate' by Monthly Fee (weighted)

	$4.00	**% Increase ($4 to $3)**	$3.00	**% Increase ($3 to $2)**	$2.00
All Electronic	4%	**50%**	6%	**50%**	9%
Base	9%	**33%**	12%	**50%**	18%
Option D	14%	**21%**	17%	**53%**	26%
Option D+I	21%	**24%**	26%	**42%**	37%
Option D+I+P	24%	**21%**	29%	**41%**	41%
Average	14%	**30%**	18%	**47%**	26%

Table 7.14

CBC was used to extrapolate the 'take-rate' for each of the five configured products at $0.25 intervals. The resulting demand curve has a 'kink' in it at $3.00 per month across all five product configurations tested. This suggests that many respondents were focusing on $2.00 not because it was the best price, but rather because it was the lowest price offered in the product choices presented.

Overall 'Take-Rate' at Various Price Levels by Product (weighted)

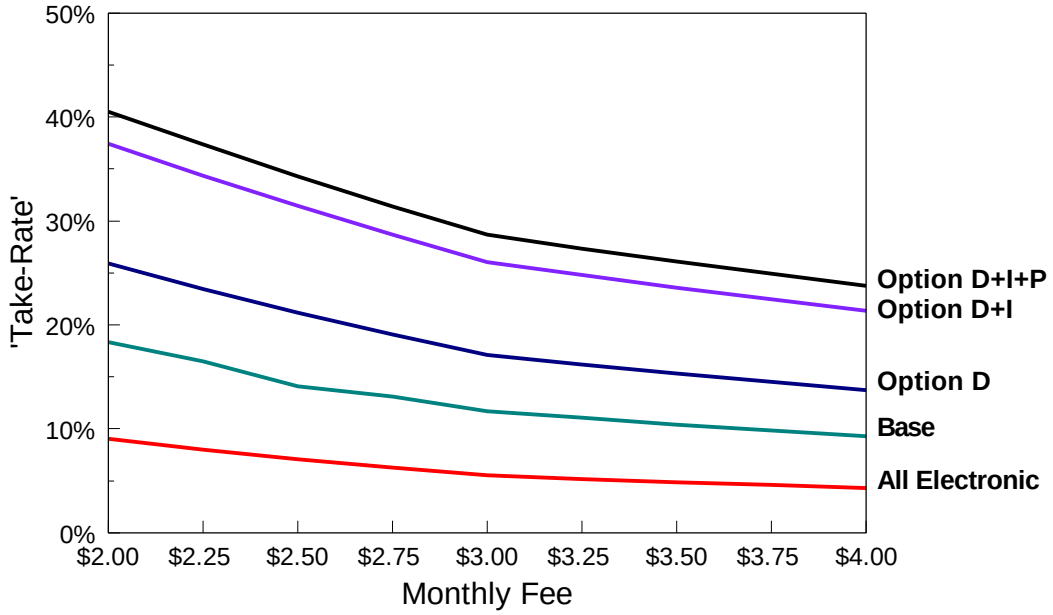


Figure 7.11

7.7 'Take-Rate' by Segment

The 'take-rate' was estimated for each of the six demographic segments (program, area, ethnic group, household income level, age, and geographic region). It is important to recognize that, due to limitations of the sample size within some of the sub-segment cells, the segmentation results should be considered suggestive in nature as they do not always meet the allowable error of +/- 5% at the 95% confidence level. The approach used within the segments is a standard error-based methodology. The 95% confidence intervals for the 'take-rate' of each sub-segment are detailed in Appendix I and in the Market Model in Chapter 8.

For presentation purposes, segment preferences are summarized in a three-dimensional bar chart and a table that shows the impact of various monthly fee levels on 'take-rate' follows the bar chart.

Geographic Region

Regional differences are not evident for the 'All Electronic' and 'Base' products. However, interest and payments appear to be relatively more attractive in the West, Northeast, and Southeast regions.

'Take-Rate' by Region at a $3.00 monthly fee (not weighted)

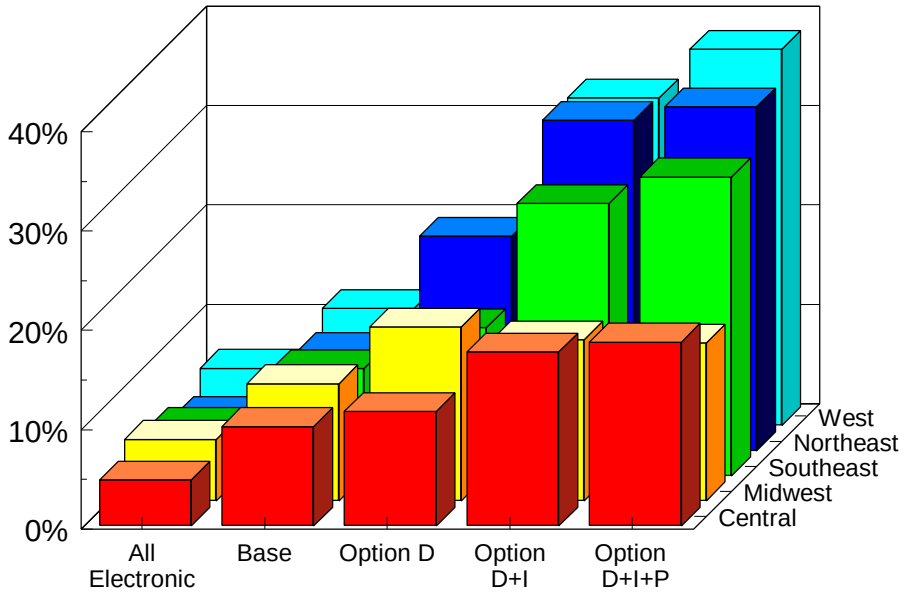


Figure 7.12

'Take-Rate' by Region by Monthly Fee (not weighted)

$2.00	West	Midwest	Central	Northeast	Southeast
All Electronic	10%	15%	10%	6%	8%
Base	19%	26%	20%	16%	17%
Option D	28%	36%	23%	32%	23%
Option D+I	46%	34%	33%	46%	39%
Option D+I+P	51%	34%	34%	47%	42%

$3.00	West	Midwest	Central	Northeast	Southeast
All Electronic	6%	6%	5%	4%	5%
Base	12%	12%	10%	10%	11%
Option D	19%	17%	12%	22%	15%
Option D+I	33%	16%	17%	33%	27%
Option D+I+P	38%	16%	19%	35%	30%

$4.00	West	Midwest	Central	Northeast	Southeast
All Electronic	4%	6%	3%	3%	4%
Base	9%	11%	7%	8%	9%
Option D	14%	16%	9%	17%	12%
Option D+I	26%	15%	13%	27%	23%
Option D+I+P	30%	15%	14%	29%	25%

Table 7.15

Area

With respect to area, significant differences exist between City respondents and those from other areas. City respondents had the highest 'take-rates' across all five ETA options at all three price ranges. This group also showed a large preference for receiving 2% interest on account balances. Both Small Town and Countryside respondents, on the other hand, exhibited lower 'take-rates' for the five accounts and were less influenced by the opportunity to get 2% interest.

'Take-Rate' by Area at a $3.00 monthly fee (not weighted)

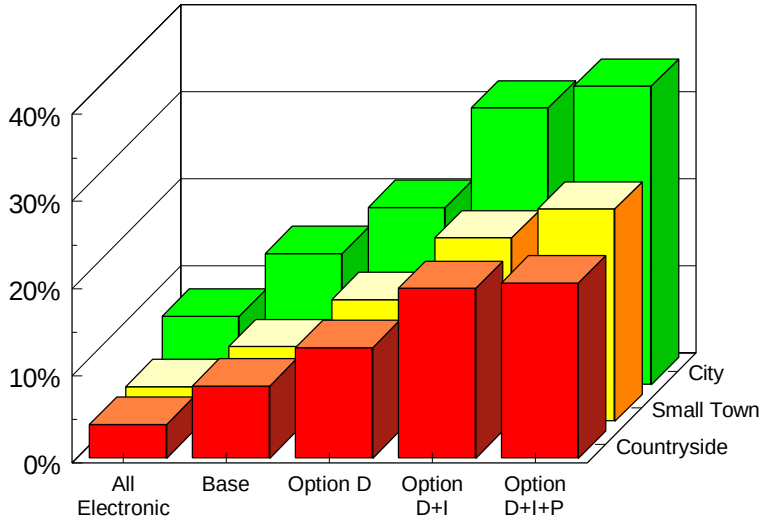


Figure 7.13

'Take-Rate' by Area by Monthly Fee (not weighted)

$2.00	City	Small Town	Countryside
All Electronic	13%	5%	8%
Base	24%	12%	16%
Option D	32%	19%	23%
Option D+I	46%	27%	33%
Option D+I+P	48%	31%	34%

$3.00	City	Small Town	Countryside
All Electronic	8%	4%	4%
Base	15%	9%	8%
Option D	20%	14%	13%
Option D+I	32%	21%	20%
Option D+I+P	34%	24%	20%

$4.00	City	Small Town	Countryside
All Electronic	6%	3%	3%
Base	12%	6%	7%
Option D	17%	10%	11%
Option D+I	26%	16%	17%
Option D+I+P	29%	18%	17%

Table 7.16

Program

The 'take-rate' for accepting an ETA increased fairly steadily as more access points, other deposits, and interest were added. The electronic bill payment feature does not appear to have much importance placed on it. This should be expected as the respondents are unbanked, and NACHA studies have shown that the majority of banked consumers do not utilize electronic bill payment.

'Take-Rate' by Program at a $3.00 monthly fee (not weighted)

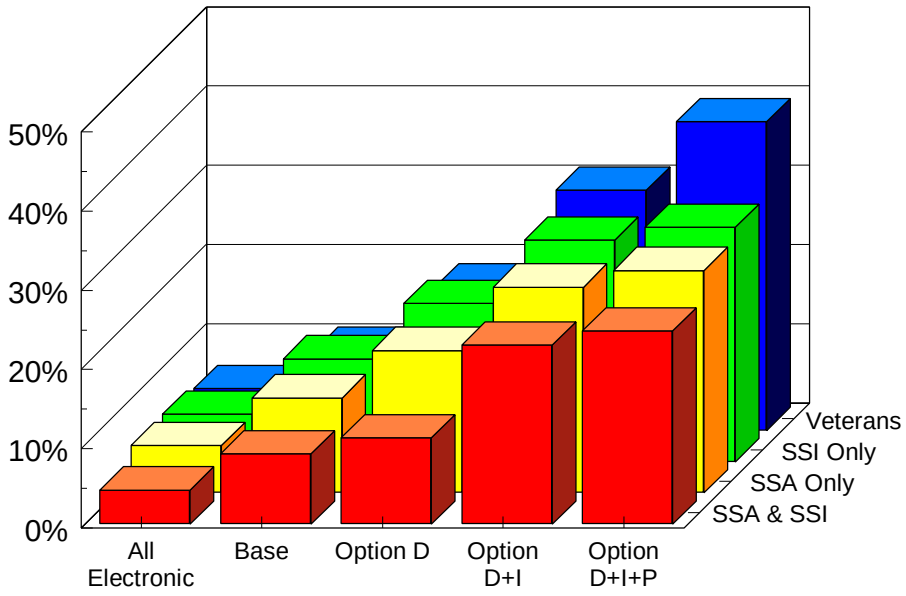


Figure 7.14

In general, respondents who receive both SSA and SSI checks had the lowest 'take-rate' for all five ETA configurations at all three monthly fee levels (4% to 37%), while SSI Only

respondents tended to have the highest 'take-rates' (5% to 45%). Veterans had the highest 'take-rate' for the 'Option D+I+P' configuration at the $3.00 and $4.00 monthly fee levels.

Consistent with the quantitative and qualitative findings from the non-conjoint parts of the questionnaire, SSI recipients showed the largest price sensitivity for the ETA configurations — their 'take-rates' varied the most with respect to price.

'Take-Rate' by Program by Monthly Fee (not weighted)*

$2.00	SSA Only	SSA & SSI	SSI Only	Veterans
All Electronic	9%	8%	11%	7%
Base	18%	15%	22%	12%
Option D	27%	18%	32%	22%
Option D+I	38%	35%	43%	35%
Option D+I+P	40%	37%	45%	44%

$3.00	SSA Only	SSA & SSI	SSI Only	Veterans
All Electronic	5%	4%	6%	5%
Base	12%	9%	13%	10%
Option D	18%	11%	20%	18%
Option D+I	26%	23%	28%	30%
Option D+I+P	28%	24%	30%	39%

$4.00	SSA Only	SSA & SSI	SSI Only	Veterans
All Electronic	4%	4%	5%	4%
Base	8%	8%	10%	8%
Option D	13%	9%	15%	15%
Option D+I	20%	20%	22%	26%
Option D+I+P	22%	21%	23%	34%

Table 7.17

* 'Take-rate' percentages for Railroad Retirement Board and OPM are not significant.

Age

A statistically significant difference in 'take-rate' exists among the age groups. Younger respondents (under 54 years of age) expressed a significantly higher 'take-rate' than those over 55 years of age. For example, the mean 'take-rate' for those under 35 years of age was four times greater than that of respondents over 74 years of age for 'Option D', 'Option D+I', and 'Option D+I+P'.

‘Take-Rate’ by Age at a $3.00 monthly fee (not weighted)

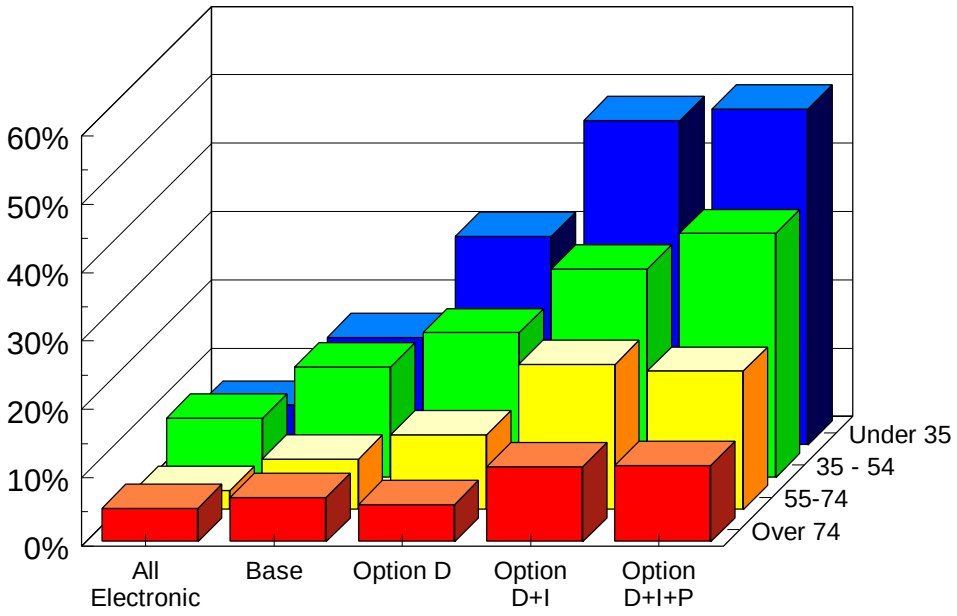


Figure 7.15

‘Take-Rate’ by Age by Monthly Fee (not weighted)

$2.00	Under 35	35 – 54	55 – 74	Over 74
All Electronic	11%	15%	3%	10%
Base	28%	26%	9%	13%
Option D	47%	33%	13%	11%
Option D+I	65%	45%	24%	20%
Option D+I+P	66%	51%	23%	21%

$3.00	Under 35	35 – 54	55 – 74	Over 74
All Electronic	6%	9%	3%	5%
Base	16%	16%	7%	7%
Option D	31%	21%	11%	5%
Option D+I	48%	30%	21%	11%
Option D+I+P	49%	36%	20%	11%

$4.00	Under 35	35 – 54	55 – 74	Over 74
All Electronic	6%	6%	2%	4%
Base	16%	11%	6%	5%
Option D	30%	15%	9%	4%
Option D+I	47%	22%	17%	8%
Option D+I+P	49%	27%	16%	8%

Table 7.18

Household Income

Consistent with the other quantitative and qualitative information in the survey, respondents with household incomes over $15,000 were less price sensitive, and thus, their 'take-rate' did not change significantly with variations in price, as it did for the other income levels.

'Take-Rate' by Household Income at a $3.00 monthly fee (not weighted)

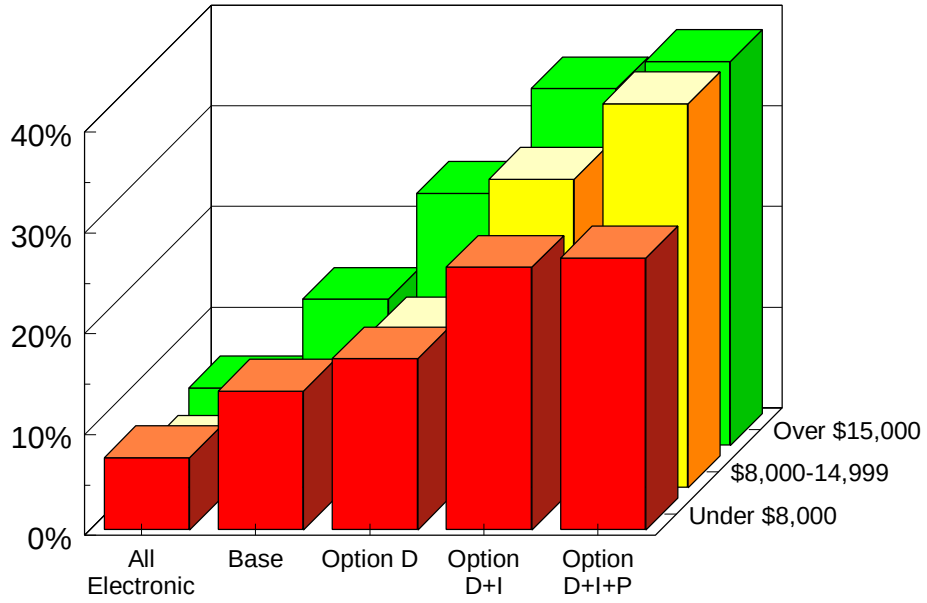


Figure 7.16

'Take-Rate' by Household Income by Monthly Fee (not weighted)

$2.00	Under $8,000	$8,000-14,999	Over $15,000
All Electronic	13%	6%	7%
Base	24%	14%	16%
Option D	29%	24%	28%
Option D+I	41%	42%	39%
Option D+I+P	42%	50%	42%

$3.00	Under $8,000	$8,000-14,999	Over $15,000
All Electronic	7%	4%	6%
Base	14%	9%	14%
Option D	17%	16%	25%
Option D+I	26%	31%	35%
Option D+I+P	27%	38%	38%

$4.00	Under $8,000	$8,000-14,999	Over $15,000
All Electronic	5%	3%	6%
Base	10%	6%	15%
Option D	12%	11%	26%
Option D+I	20%	23%	36%
Option D+I+P	20%	29%	39%

Table 7.19

Ethnic Group

With respect to ethnic groups, there was a statistically significant difference at the 95% confidence level between Black respondents and the other ethnic categories. Black respondents consistently showed the highest ETA 'take-rates' at all the monthly fee levels, often doubling the acceptance rate of the other three groups. Black respondents also gave significant importance to Interest, as did the Hispanic and Other Ethnic group respondents.

'Take-Rate' by Ethnic Group at a $3.00 monthly fee (not weighted)

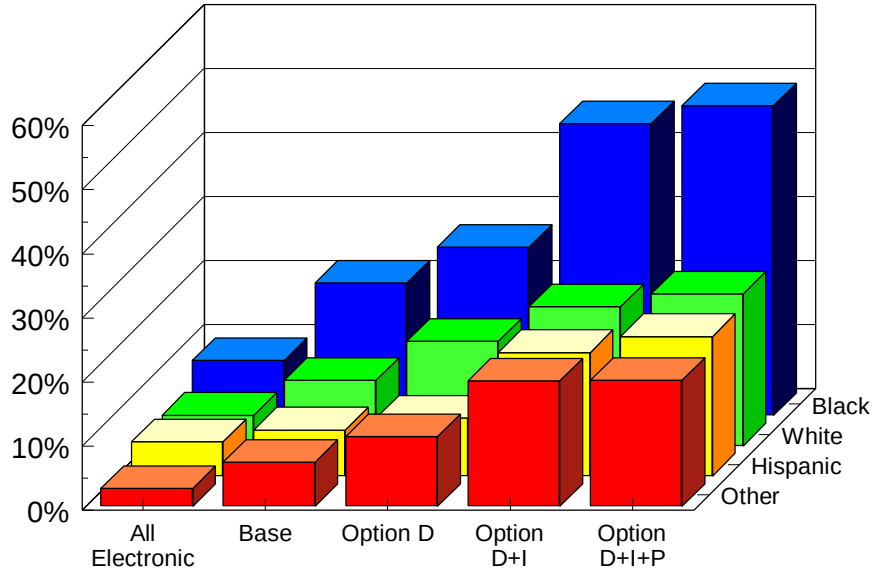


Figure 7.17

'Take-Rate' by Ethnic Group by Monthly Fee (not weighted)

$2.00	Hispanic	Black	White	Other
All Electronic	12%	15%	8%	4%
Base	15%	33%	16%	10%
Option D	19%	40%	24%	15%
Option D+I	36%	61%	32%	26%
Option D+I+P	40%	64%	34%	27%

$3.00	Hispanic	Black	White	Other
All Electronic	5%	9%	5%	3%
Base	7%	21%	10%	7%
Option D	9%	26%	16%	11%
Option D+I	19%	46%	22%	20%
Option D+I+P	22%	48%	24%	20%

$4.00	Hispanic	Black	White	Other
All Electronic	5%	6%	4%	3%
Base	6%	14%	8%	7%
Option D	8%	19%	13%	11%
Option D+I	17%	35%	18%	19%
Option D+I+P	20%	38%	19%	19%

Table 7.20

7.8 Economic vs. Emotional Decision Factors

This study provided respondents with the option to indicate that they would prefer 'None' of the options presented to them. Given that the study focused specifically on individuals who are unbanked, this methodology provides a very realistic choice for unbanked respondents who are likely to remain unbanked unless a banking product is made available to them that meets their price/value threshold.

Upon review of respondents' answers to the conjoint questions, it becomes evident that other factors may be influencing respondents' choices. Although many respondents did show interest in the ETAs tested, 46% of unbanked respondents were not interested in any ETA account configuration. In the following discussion these respondents are referred to as '**Nones'**. In comparison, 54% of the respondents indicated that they would consider taking one of the products if it were made available to them. These respondents are referred to as '**Takers'**.

Although the ETA configurations may be viewed as hypothetical, all of the features tested have been available for more than 20 years. Therefore, the ETA features tested are already available in the marketplace, though not bundled into a single product targeted at this population. Coupled with the frequency and knowledge that respondents have attained over the years from previous usage of banking services — 55% cash checks at banks and 52% previously had accounts at banks — these responses to ETA configurations should not be surprising.

Comparing these results with prior research conducted by Shugoll/Booz, Allen & Hamilton, it was identified that 71% of the unbanked Federal check recipients had previously used a bank account. This suggests that the account configurations are realistic and accurately reflect the experiences and preferences of the recipients.

'Nones' versus 'Takers'

In summary, the 'None' respondents are satisfied with their current situation and would prefer to see no changes to the current paper-check based system.

Bank Account Interest — 'Nones' vs. 'Takers' (not weighted)

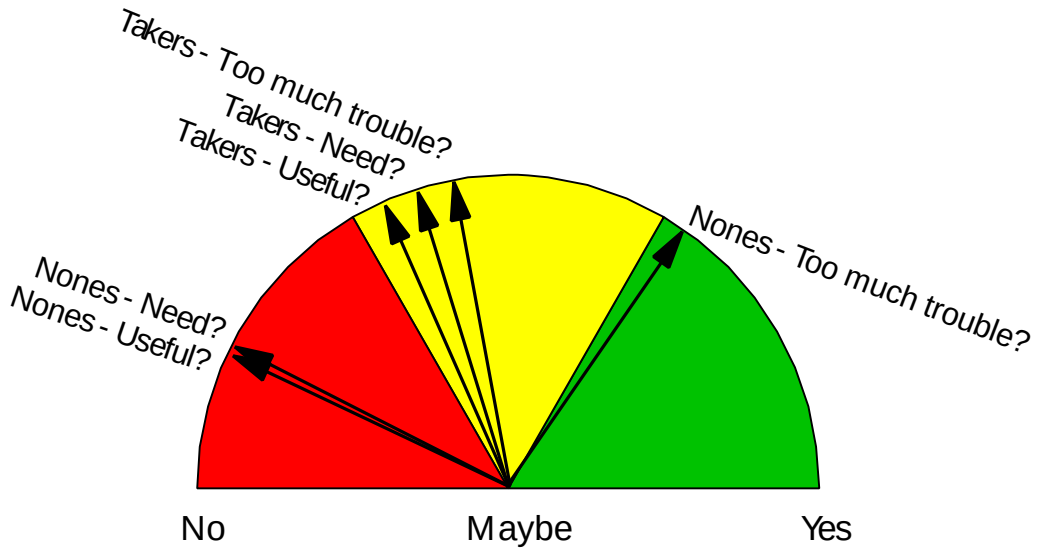


Figure 7.18

— *"This is all nuts. I don't have and don't want a bank account of any kind!" (SSI)*

Several hypotheses were considered that might explain why so many respondents consistently answered 'None' to the ETA options presented in the conjoint study.

- One explanation could be that cashing a check is not a problem for the respondents. Perhaps their assessment is that their current approach is less expensive and/or better than any of the options presented, all of which included a monthly fee. The responses to other questions in the survey indicated that 61% of the respondents cash their Federal checks at no fee. For these individuals, there may not be any interest in an account that has a monthly fee.

  Survey results indicate that the 'Nones' pay a fee less often to cash their Federal checks, and, when they are charged, they pay a smaller fee.

Check Cashing Fee — 'Nones' vs. 'Takers' (not weighted)

Unbanked Respondents	Charged a Fee	Amount of Fee (Mean)
'Nones'	27%	$0.78
'Takers'	49%	$2.64

Table 7.21

— *"I should not be forced to lose $2-$4 off my already low cost of living. I want control of my own money – you do not have the right to force me and violate my rights!" (SSA & SSI, City)*

As mentioned earlier in the report, this is linked to the check cashing location used: 'Nones' use significantly less check cashers to cash their Federal checks than 'Takers'. Only 7% of 'Nones' go to check cashers compared to 23% of 'Takers'.

- Regardless of what type of bank account those in the 'None' group could be offered, they have strong incentives to remain unbanked and receive their paper checks through the mail.

  Survey results show that 'Nones' are more satisfied receiving their Federal payments through the mail than are 'Takers'.

  — *"Please, keep sending my check to my home address. I look forward to it every month." (SSA, City)*

  'Nones' are older than 'Takers': 45% of 'Nones' are over 65 years old compared to 25% of 'Takers'.

Age Distribution — 'Nones' vs. 'Takers' (not weighted)

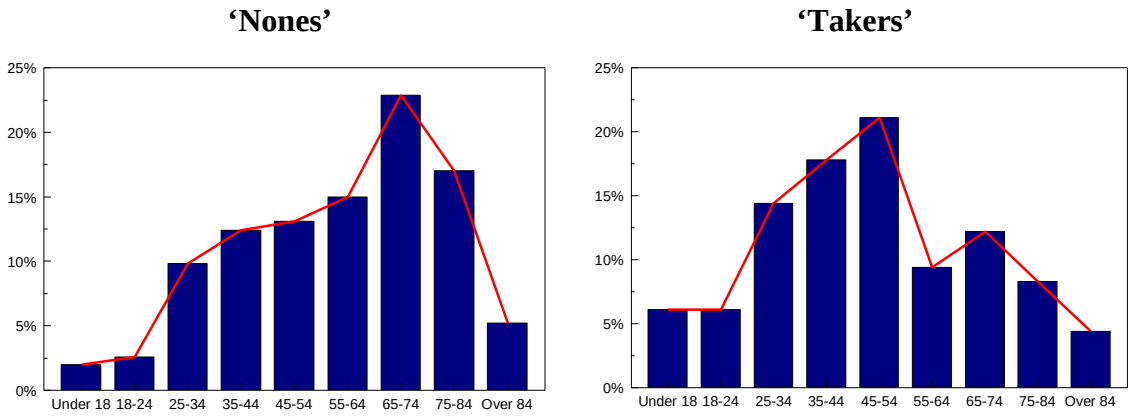


Figure 7.19

Associated with age, 'Nones' have been receiving their Federal payments through the mail longer than 'Takers', which may be an important factor as to why they place more importance on seeing their Federal check and having it in their hand.

Years of Receiving Benefits — 'Nones' vs. 'Takers'

Unbanked Respondents	Number of Years at Current Address (Mean)	Number of Years as Federal Check Recipient (Mean)
'Nones'	18	13
'Takers'	12	10

Table 7.22

Finally, 'Nones' have an easier time cashing their paper checks than do 'Takers'.

— *"I am pleased with the way I cash my Federal checks. I will not change it. Thank you." (SSA & SSI, Countryside)*

- Another element that may influence the 'None' responses among SSI recipients is the frequent re-qualification process that involves searches of bank records for evidence

of assets or income, which, if found, could lead recipients to lose their eligibility for those funds.

- Other issues may be related to control and involvement with finances. This may make people uninterested in using a bank account — even if it is free. For these individuals, the decision to have a bank account is not economically driven; it is more of an emotional issue. This may include respondents who are distrustful of financial institutions due to:

  Prior bad experiences

  Language and cultural factors

  Disabilities